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MEXICO INBOND WAREHOUSING AND SERVICE MAQUILADORA OPERATIONS

Public bonded warehouses or in-bond warehousing, offer the opportunity to U.S. exporters to send all types of materials, products or machinery to Mexico as an extension of their inventory warehouse, so that it can be sold and distributed in Mexico, while holding title to the goods. A service maquiladora provides the same in-bond warehousing service, plus additional services such as logistic control, sub-assembly, less-than-truckload distribution, labeling, and other re-packaging services. In both cases the products shipped and warehoused in these units have not passed the Mexican customs process thus they will not have paid import duties and fees and title to the goods still belongs to the shipper. For a copy of this 3-page article, go to http://www.buyusa.gov/arkansas/mexinbound.pdf

TRAVEL ADVISORY ON GERMANY TEMPORARY PASSPORTS

From U.S. Customs and Border Protection Website

Beginning May 1, 2006, German temporary passports (or emergency passports) will no longer be valid for travel to the U.S. under the Visa Waiver Program (VWP). Regular, official and diplomatic German passports (with a digital photo if issued after October 26, 2005) remain valid for Visa Waiver Program travel, per the current VWP passport requirements.

Travelers in possession of German temporary or emergency passports who intend to travel to or through the U.S. must either obtain a valid, machine-readable German passport for VWP travel or apply for a visa to travel to the U.S.

Germany remains a designated country in the Visa Waiver Program, and its citizens with regular passports may continue to use the program for business and tourism travel to the U.S. Regular full-validity German passports are unaffected by this decision.

Working closely with the State Department, DHS will reach out to our travel and tourism partners and the German government to ensure that all German Citizens traveling to the United States are informed about these travel document requirements.

For more information about the Visa Waiver Program or how to apply for a U.S. Visa go to http://www.travel.state.gov/ or http://www.dhs.gov/dhspublic/

CONSUMER PROFILE OF BRAZIL'S EMERGING MIDDLE CLASS

According to the LatinPanel indices, the largest Consumer Panel Company in Latin America, Brazilian consumers increased their consumption of products such as food, beverage, and hygiene products in 2005, compared to 2004. The research was conducted in 2005 in districts with more than ten thousand inhabitants, covering 82% of the population and 91% of the country consumer's potential. The study encompassed 70 product categories.

With the purchasing power of Brazil's 180 million consumers on the rise, U.S. companies interested in exporting to Brazil are encouraged to join Retail Brazil, Commerce's recently launched initiative to test market new American products throughout Brazil

To read the 3-page consumer profile on Brazil, go to http://www.buyusa.gov/arkansas/brzconsum.pdf

U.S. ESTABLISHES PERMANENT NORMAL TRADE RELATIONS WITH UKRAINE

http://www.usinfo.state.gov
Edited from a report by Vince Crawley
Washington File Staff Writer

On March 23, 2006 President Bush signed a law establishing permanent normal trade relations with Ukraine, ending Cold War-era restrictions and meeting a major milestone for the former Soviet republic to join the World Trade Organization (WTO). The new U.S. law frees Ukraine from the provisions of the Jackson-Vanik Amendment to the Trade Act of 1974. That amendment restricts trade relations with non-market-economy countries that limit the freedom of emigration or charge high taxes to those seeking to emigrate. Under Jackson-Vanik, if a country is found to be restricting emigration rights, the U.S. president must issue an annual waiver for normal trade relations to continue. Ukraine has been granted temporary normal trading status since 1993. As Ukraine's new government sought stability over the past year, the United States gradually reduced a series of trade restrictions while helping pave the way for Ukraine's acceptance into the WTO.

WHAT IS FORFAITING?

Sandra Edwards, Trade Specialist West Los Angeles Export Assistance Center via Meridian Finance Group,

While some buyers in some emerging foreign markets may or may not be able to provide satisfactory financial statements on their own companies, they may be able to obtain payment guarantees from their local banks in support of international trade finance. Some lenders offer non-recourse discounting, also known as forfaiting, of bank-guaranteed promissory notes, bills of exchange, letter-of-credit drafts, and similar debt obligations with repayment terms of up to five years.

With a pre-approved forfaiting commitment in hand, your client can offer vendor financing to their customers and then sell the foreign debt obligation immediately, without recourse, and receive cash payment for the full amount of his contract.

Forfaiting is fast. Export finance for transactions from $500,000 to $10,000,000 can usually be approved in less than a week and can cover 100% of the contract amount. Most often at interest rates much lower than those available in your client's customer's country.

Besides bank-guaranteed notes and drafts, other term receivables, which may be eligible for forfaiting, include: debt obligations issued or guaranteed by foreign governments, state-owned entities, or major overseas corporations.

How does the forfaiting process work?

STEP 1: The exporter confirms that his customer is going to pay him with promissory notes that bear the aval (guarantee) of a top bank in his customer's country, then contact the forefaiting bank with the transaction details and the name of the foreign bank for a preliminary quotation.

STEP 2: Once your client's contract with his customer has been finalized, a written agreement is prepared which spells out the commitment to purchase the notes from his company after he receives them from his customer. The agreement specifies the discount rate and the face amount (principal + interest) for each of the promissory notes, as well as the net amount his company will be paid for the notes.

STEP 3: When the agreement is signed, your client pays a commitment fee, which is calculated as a small percentage of the financed amount and covers the time from the commitment date until the date your client presents the notes for payment.

STEP 4: Upon shipment, delivery, or at whatever time has been agreed between your client and his customer, your client receives the promissory notes from his customer.

STEP 5: Your client endorses the notes and presents them with a copy of his invoice and shipping documents. Once the validity of the notes and signatures has been verified, your client is paid per the terms and conditions of the above commitment agreement.

OPEN ACCOUNT TERMS CAN INCREASE YOUR SALES IN GLOBAL MARKETS

by Dennis R. Chrisbaum
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The world has become an increasingly competitive marketplace. A flood of products from China, technical services from India, competitive financing packages from Asia, and government support for exporters from several countries. How can an American exporter win? An often over-looked option is for U.S. exporters to offer more competitive, open account payment terms, with the additional risk mitigated through credit risk insurance.

Traditionally, there are four main ways to get paid for export sales. From the most conservative to the most risky for the exporter, they are:

- Cash-in-advance
- Letter-of-credit
- Documentary collections
- Open account terms.

For more information on this subject, contact us at little.rock.office.box@mail.doc.gov, or 501-324-5794, fax 7380 for Mr. Chrisbaum's two-page article "Open Account Terms.

CHINA REVISES CONSUMPTION TAX
Author: Liu Ying – Commercial Specialist

The Ministry of Finance (MOF) and the State Administration of Taxation (SAT) announced on March 21, 2006 consumption tax adjustments starting from April 1, 2006. China will make important changes in its Consumption Tax from April 1 by raising rates on vehicles with bigger engines and imposing new charges on more oil products. The government will also apply new taxes to items such as disposable chopsticks, wooden floor panels, luxury goods such as golf equipment, expensive watches and yachts. It will scrap taxes on skincare products and shampoo, however, and will not tax aviation fuel, at least for the moment. It will also only collect 30 per cent of the announced tax on naphtha and solvents.

China's consumption tax policy is different from the systems in the United States and most European Union countries. These taxes are only imposed on a select number of products in China. They are collected from domestic manufacturers, not from consumers. The customs authorities collect taxes for imported goods. An increase in the tax rate does not mean consumers will have to pay more to buy the same products, because manufacturers have to look at the overall market situation before considering any price changes.

Manufacturers of oil-guzzling vehicles are wincing at the prospect of China's new consumption tax policy, but producers of economy models are jumping for joy. Under the new policy, effective from April 1, taxes on passenger vehicles - basic cars and sport utility vehicles (SUVs) - with engine capacities greater than 2 liters will be raised from 8 per cent to anywhere between 9 and 20 per cent. Taxes on vehicles with engine capacities between 1 and 1.5 liters will be slashed from 5 per cent to 3 per cent, however. The consumption tax revision, the largest overhaul since its inception in 1994, shot up shares of companies whose products will likely be affected by the revision, while others dipped on the stock market yesterday in a trend analysts say may herald investors' sentiments in days to come.

According to the tax adjustment, more refined oil products, disposable wooden chopsticks and wooden floor panels will be charged consumption tax, as well as other luxury items such as high-priced watches, yachts and golf balls. Meanwhile, the consumption tariff on some goods such as hard alcohol, motorcycles, small-engine cars will be cut, while tax on skincare products and shampoo will be totally done away with. According to the proposed tax revision, tariffs on hard alcohol will be trimmed from the current 25 per cent to 20 per cent, a reduction that some say is significant enough to help liquor makers' performance.

A 5 per cent consumption tax will be imposed on disposable wooden chopsticks and wooden floor panels in a bid to protect the country's forests by discouraging their use. The addition of the tax will have a noticeable impact on those wood products companies.

US CHINA TRADE ENTERS THIRD PHASE OF ITS RELATIONSHIP

This past February the U.S. Trade Representative (USTR) released the report, “U.S.-China Trade Relations: Entering a New Phase of Greater Accountability and Enforcement.” The report is billed as the product of an interagency “top-to-bottom review.” To read “Managing Exports and Imports” excellent article on this subject and link to the report, go to:
http://www.buyusa.gov/arkansas/uschinathirdphase.pdf

USEFUL WEBSITES

For various aspects of China’s Customs regulations, go to
http://www.novexcn.com/customs_law_main.html

U.S. States & Ports Association (USSPA), Greater China
http://www.usspahk.org/index.htm

We hope you've enjoyed this edition of our newsletter. Any mention of non-government sources does not constitute endorsement.

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